

Understanding COBRA



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What is COBRA?

- The Consolidated Omnibus Budget Reconciliation Act (COBRA):
 - Allows employees and their beneficiaries the option to keep group health coverage at group rates temporarily, after certain qualifying events that would otherwise terminate their eligibility for the coverage, likely at the consumer's own cost.



COBRA is a law, not a Health Plan

COBRA requires group health plans to provide temporary continuation of group health coverage that otherwise might be terminated.

- Continuation of coverage is only available when coverage is lost due to certain specific events.
- Employers decide whether or not they will contribute to their employee's premiums under COBRA. Consumers may be responsible for the entire monthly premium by themselves.
- The amount COBRA participants contribute to group health coverage is usually more than the amount active employees contribute toward the group coverage.
- Cost to COBRA participants full premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event.

Who Qualifies for COBRA?

- COBRA contains provisions giving certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of group coverage at group rates.
- If the consumer's employer is required to comply with COBRA, then they are eligible for it after just having one day of coverage as an active employee or dependent of an active employee on their group health plan.
- A COBRA "qualifying event" is what triggers a consumers' ability to exercise their COBRA rights.



COBRA Qualifying Events

Qualifying events include:

- Death of the current employee;
- Loss of eligibility for the group health plan due to voluntary or involuntary termination or a reduction in hours as a result of resignation, discharge (except for “gross misconduct”), layoff, strike or lockout, medical leave, or slowdown in business operations;
- Divorce or legal separation that terminates the ex-spouse’s eligibility for benefits; or
- A dependent child reaching the age at which he or she is no longer eligible for coverage as a dependent of an active employee under the group plan (generally age 26).

How Long can a Consumer Stay on COBRA?

- When consumers elect COBRA coverage due to termination of employment or a reduction of hours, they are generally allowed up to an additional 18 months of group health coverage. Otherwise, they have up to an additional 36 months of group health coverage.
- Extensions:
 - Dependents for a covered employee who become eligible for Medicare – if a covered employee becomes entitled to benefits (either Part A or Part B) and later has a termination of employment or a reduction of employment hours, the period of COBRA coverage for the employee's spouse and dependent children lasts until the later of the 36-month period that begins on the date the covered employee became entitled to Medicare, or the 18 – or 29 – month period that begins on the date of the covered employee's termination of employment or reduction of employment hours.
 - Disability – additional 11 months for a total of 29 months.

How Long can a Consumer Stay on COBRA? (Cont.)

- Second qualifying event—e.g., Divorce or death— up to an additional 18 months for a total of 36 months.
- COBRA coverage may end earlier if:
 - An individual does not pay premiums on a timely basis.
 - The employer ceases to maintain any group health plan.
 - After the COBRA election, an individual obtains coverage with another employer group health plan.
 - After the COBRA election, a beneficiary first becomes enrolled for Medicare benefits.
 - ❖ However, if Medicare entitlement, either Part A or Part B, is effective on or before the date of the COBRA election, COBRA coverage may not be discontinued on account of Medicare enrollment, even if the individual enrolls in the other part of Medicare after the date of the election of COBRA coverage.

COBRA Qualifying Events

- The COVID-19 pandemic has been declared a national emergency, and many consumers are experiencing changing jobs and job loss.
- If your health care coverage ends because you lose your job, have your hours reduced, or get laid off, you may have rights to certain health benefit protections even if you lose your job.
- If you worked for an employer with 20 employees or more and your company provided a group health plan, you may be entitled to continued health benefits, otherwise known as COBRA.



COBRA Qualifying Events (Cont.)

- You also may have more affordable or more generous options for health coverage available to you and your family through other group health plan coverage, such as through a spouse's plan, the individual Marketplace, and certain governmental programs.
- COBRA may give you the opportunity to purchase temporary extended health care benefits offered by your former employer while you are looking for a new job or during a waiting period for health benefits imposed by your new employer.
- COBRA provides continuity of coverage, because you stay in exactly the same plan you were in when you were employed, with the same network of doctors and hospitals, and same deductible.

Timelines to Elect COBRA Coverage

- Timelines to elect COBRA coverage:
 - Consumers have until the later of 60 days after losing eligibility for their employer's group health coverage or 60 days after receiving their COBRA election notice to enroll in COBRA.
 - Consumers have 45 days after enrollment to pay their first month's premium.
 - COBRA coverage will generally begin retroactively on the date consumers' active-employment-based group health coverage ended, as long as the election is made within the 60-day election period for COBRA coverage.

Which Employers are Required to Offer COBRA?

- Which employers are required to offer COBRA?
 - Employers with 20 or more employees are usually required to offer COBRA coverage and to notify their employees of the availability of such coverage.
 - COBRA applies to plans maintained by private-sector employers and plans sponsored by most state and local governments.



What Benefits Must be Covered by COBRA?

What benefits must be covered by COBRA?

- COBRA coverage must provide identical benefits to that available to similarly situated enrollees who are not receiving COBRA coverage under the plan (generally, the same coverage that the beneficiary had immediately before qualifying for continuation coverage).
- A change in the benefits under the plan for the active employees will also apply to qualified beneficiaries.
- Qualified beneficiaries must be allowed to make the same choices given to non-COBRA beneficiaries under the plan, such as during periods of open enrollment by the plan.

Knowledge Check #1

A consumer's costs under COBRA will generally not be the same as when they were employed or worked enough hours to be eligible for group health coverage.

True or False



Knowledge Check #1 Answer

A consumer's costs under COBRA will generally not be the same as when they were employed or worked enough hours to be eligible for group health coverage.

Answer: True

Employers decide if they'll contribute to the consumer's premiums under COBRA. Consumers may be responsible for the entire monthly premium and administrative fee. This will likely be more expensive than when they were employed.

Can you Change From COBRA to a Marketplace Plan?

| During or outside Open Enrollment Period | If your COBRA is running out | If you're ending COBRA early | If your COBRA costs change because your former employer stops contributing and you must pay full cost |
|--|---|---|---|
| During Open Enrollment | Yes, you can change | Yes, you can change | Yes, you can change |
| Outside Open Enrollment | Yes, you can change – you qualify for a Special Enrollment Period | No, you can't change until the next Open Enrollment Period, your COBRA runs out, or you qualify for a Special Enrollment Period another way | Yes, you can change – you qualify for a Special Enrollment Period |

Knowledge Check #2

Consumers can drop COBRA to qualify for a Special Enrollment Period.

True or False



Knowledge Check #2 Answer

Consumers can drop COBRA to qualify for a Special Enrollment Period.

Answer: False

Note: Voluntarily dropping COBRA does not cause consumers to qualify for a Special Enrollment Period.



COBRA Coverage and Eligibility for Marketplace or Other Individual Coverage

How can assisters help consumers decide if COBRA is the best option?

- Many individuals and families may have better options in the Marketplace, other individual market plans, or through their spouse's employer.
- If consumers are eligible for COBRA coverage but have not made a COBRA coverage selection (i.e., have not yet signed up), they may still qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) through the Marketplace, if they are otherwise eligible.
- These consumers may be eligible for Special Enrollment Period (SEP) to buy a Marketplace plan, or other individual market plans, if they lost eligibility for their employer's group health coverage within the last 60 days.

To COBRA or not to COBRA

Things to consider when deciding between COBRA or the Marketplace or other individual market plans:

- Continuity of coverage
- Access to Care:
 - Provider networks
 - Formularies
- Total Cost:
 - COBRA coverage including premiums, deductibles, and co-insurance
 - Quality of care
 - Potential savings for Marketplace coverage



COBRA Complex Case Scenario

- Michael is 43 years old, married, and father of one child.
- On March 16, 2020 Michael lost his job as a personal trainer at a gym due to the COVID-19 outbreak. Michael's employer offered health benefits to its employees and their dependents. Michael's spouse and child don't work or have any additional income.
- Michael and his family will be covered by his employer's health plan until March 31st, 2020.
- After losing his job, Michael estimates that his total household income in 2020 will be \$60,000 (including severance pay and unemployment benefits).



Complex Case Scenario (Cont.)

- To avoid a gap in coverage, what health coverage options are available to Michael and his family once his employer-sponsored coverage ends?
 - COBRA Coverage
 - Marketplace Coverage
 - Medicaid or CHIP Coverage



Option: COBRA Coverage

- Upon experiencing a qualifying event (e.g., losing his job), Michael will have 60 days to decide whether to enroll in COBRA coverage. Since Michael lost his job on March 16 and his coverage on March 31, he can sign up for COBRA and elect for it to start on April 1.
- If Michael chooses to enroll in COBRA, he has 45 days after making the election to pay the first month's premium.



Option: COBRA Coverage (Cont.)

- If Michael wants to choose COBRA coverage, he should consider the following:
 - COBRA coverage may be more expensive than typical ESC, since employers are not required to contribute to premium costs; therefore, Michael will probably have to pay the entire monthly premium himself.
 - COBRA coverage is a good option to prevent a gap in coverage and for continuity of care with existing providers, but it may not be the best long-term option for Michael and his family due to its costs.
 - Michael should also decide if he wants to enroll his spouse and child, who are qualified beneficiaries (i.e., dependents or children) in COBRA coverage, or if these family members may be eligible to enroll in Medicaid, CHIP, or other health coverage.
 - If Michael voluntarily drops his COBRA coverage outside of the Marketplace's annual Open Enrollment Period, he may not be eligible for a SEP to purchase coverage through the Marketplace. The SEP based on loss of COBRA coverage only applies when a consumer's COBRA coverage runs out, not when somebody ends COBRA coverage voluntarily or stops paying premiums. There is also a SEP available when the cost of COBRA increases due to an employer discontinuing subsidy payments.

Option: COBRA Coverage (Cont.)

- Michael's employer has offered to subsidize the COBRA premium for two months, so Michael will continue to pay the same amount for his April and May coverage that he paid when he was employed. Starting in June, he'll need to pay the entire cost of the monthly premium himself.



Option: Marketplace Coverage

- Michael is eligible to enroll in a Marketplace plan through a SEP due to losing his employer-sponsored coverage within 60 days of losing his employer-sponsored coverage.
- When consumers decide not to enroll in COBRA coverage, they may still qualify for APTC or CSRs through the Marketplace, if eligible. Additionally, if a consumer initially elects COBRA continuation coverage, they may still use their loss-of-coverage SEP to enroll in Marketplace coverage until the end of their SEP window, which is 60 days after their loss of pre-COBRA job-based coverage. They may also qualify for APTC if they terminate their COBRA continuation coverage.
- Michael is eligible for APTC based on his family size because his total annual household income is between 100 and 400 percent of the Federal Poverty Level (FPL).
- Since Michael's share of the premium will increase in June when his employer stops contributing, he'll also qualify for a SEP to enroll in Marketplace coverage then, due to the change in COBRA costs.

Option: Medicaid Coverage

- Even though Michaels' state (Maine) has expanded Medicaid, he is not eligible for Medicaid based on his income.



Review of Options for Michael

- Michael has a few options to avoid a gap in coverage and continue his health insurance coverage after he loses his job:
 1. He can accept the offer of COBRA with the employer's short term subsidy support and continue with COBRA coverage. However, after June, Michael will have to pay for the entire premium himself;
 2. He can accept the COBRA coverage now. Then, in June, when the subsidy from his employer stops, he can use an SEP to enroll in Marketplace coverage, with APTC, if he otherwise qualifies. Michael is eligible for this SEP because his COBRA costs will change when his former employer stops contributing to his premium costs; or
 3. He can choose to decline COBRA and instead enroll in a Marketplace plan now, with APTC, if he otherwise qualifies.



Resources

Resources:

- [COBRA coverage and the Marketplace](#)
- [COBRA continuation coverage questions and answers](#)
- [FAQs on COBRA continuation health coverage for employers and advisers](#)

COVID-19 Resources:

- [CCIIO webpage for all COVID-19-related guidance related to Marketplace coverage and other private health insurance coverage](#)
- [Marketplace Consumers - Marketplace Blog](#)
- [Coronavirus \(COVID-19\) Partner Toolkit](#)
- [U.S. Department of Labor Coronavirus Resources](#)